ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATIONOF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUEDIN TURKISH)

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Building a better working world

(Convenience translation of a review report originally issued in Turkish)

Review Report on the Interim Financial Information

To the Board of Directors of Enerjisa Enerji A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Enerjisa Enerji A.Ş. ("the Company") and its subsidiaries (all together referred to as "the Group") as of June 30, 2017, which comprise the statement of condensed consolidated financial position and the condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month-period then ended. The management of the Group is responsible for the preparation and presentation of these interim consolidated financial information in accordance with TAS 34 Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial information based on our review.

Scope of a Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

(Convenience translation of a review report originally issued in Turkish)

Other Matter

The consolidated financial statements of Enerjisa Enerji A.Ş. and its subsidiaries prepared in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") as of December 31, 2016, were audited by another audit firm whose independent auditor's report thereon dated February 23, 2017 expressed an unqualified opinion. The interim condensed consolidated financial statements as of June 30, 2016 of the Group prepared in accordance with TAS 34 were also reviewed by the same audit firm whose independent auditor's review report thereon dated August 4, 2016 expressed that nothing had come to their attention that caused them to believe that the interim condensed consolidated financial statements were not prepared in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

August 17, 2017
Istanbul, Turkey

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

ASSETS	Notes	Reviewed / current period 30 June 2017	Audited / prior period 31 December 2016
Current assets			
Cash and cash equivalents	6	593,586	108,623
Trade receivables		2,160,907	2,020,522
Trade receivables from related parties	7	*69,193*	*77,582*
Trade receivables from third parties	8	*2,091,714*	*1,942,940*
Other receivables		323,287	431,476
Other receivables from related parties	7	-	*8*
Other receivables from third parties		*323,287*	*431,468*
Derivative financial instruments	12	38,760	184,125
Held for trading		*38,760*	*184,125*
Inventories		183,294	182,123
Prepaid expenses		66,134	21,955
Prepaid expenses from third parties		*66,134*	*21,955*
Assets related to current tax	14	1,571	7,836
Due from service concession arrangements	9	421,205	653,754
Other current assets		8,267	4,867
Other current assets from third parties		*8,267*	*4,867*
		3,797,011	**3,615,281**
Assets held for sale	23	-	408,840
Total current assets		**3,797,011**	**4,024,121**
Non-current assets			
Other receivables		491,323	312,585
Other receivables from third parties		*491,323*	*312,585*
Derivative financial instruments	12	344,945	395,640
Held for trading		*275,534*	*392,362*
Held for hedging		*69,411*	*3,278*
Available-for-sale financial assets		836	836
Property, plant and equipment	10	10,160,837	10,246,177
Intangible assets	11	8,551,074	8,654,887
Goodwill		*2,730,031*	*2,730,031*
Other intangible assets		*5,821,043*	*5,924,856*
Prepaid expenses		145,631	166,946
Prepaid expenses from third parties		*145,631*	*166,946*
Due from service concession arrangements	9	4,540,385	3,639,552
Deferred tax assets	14	490,784	444,344
Other non-current assets		309,108	487,186
Other non-current assets from third parties		*309,108*	*487,186*
Total non-current assets		**25,034,923**	**24,348,153**
TOTAL ASSETS		**28,831,934**	**28,372,274**

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

LIABILITIES	Notes	Reviewed / current period 30 June 2017	Audited / prior period 31 December 2016
Current liabilities			
Short-term bank borrowings	13	2,170,239	1,875,551
Short-term portion of long-term bank borrowings	13	2,586,300	2,463,024
Other financial liabilities	13	27,307	25,087
Trade payables		1,172,170	1,406,751
Trade payables to related parties	*7*	*4,345*	*8,501*
Trade payables to third parties	*8*	*1,167,825*	*1,398,250*
Obligations related to employee benefits		37,044	43,750
Other payables		381,022	368,923
Other payables to related parties	*7*	*1,268*	*14*
Other payables to third parties		*379,754*	*368,909*
Derivative financial instruments	12	8,853	-
Held for trading		*8,853*	-
Deferred revenue		331,982	165,733
Corporate tax payable	14	11,246	6,687
Short-term provisions		277,427	296,427
Provisions for employee benefits		*2,206*	*21,856*
Other short-term provisions		*275,221*	*274,571*
Other current liabilities		1,208	4,112
Other current liabilities to third parties		*1,208*	*4,112*
		7,004,798	**6,656,045**
Liabilities directly associated with assets classified as held for sale	23	-	3,997
Total current liabilities		**7,004,798**	**6,660,042**
Non-current liabilities			
Long-term bank borrowings	13	9,677,936	9,335,039
Other financial liabilities	13	247,889	245,134
Other payables		1,021,443	881,083
Other payables to third parties		*1,021,443*	*881,083*
Derivative financial instruments	12	364,802	628,071
Held for trading		-	*107,787*
Held for hedging		*364,802*	*520,284*
Deferred revenue		9,138	25,617
Long-term provisions		101,609	80,600
Provisions for employee benefits		*101,609*	*80,600*
Deferred tax liabilities	14	1,024,008	1,026,664
Total non-current liabilities		**12,446,825**	**12,222,208**
TOTAL LIABILITIES		**19,451,623**	**18,882,250**

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

EQUITY	**Notes**	**Reviewed / current period 30 June 2017**	**Audited / prior period 31 December 2016**
Share capital	15	9,590,685	9,590,685
Adjustment to share capital	15	(33,312)	(33,312)
Total paid-in capital		**9,557,373**	**9,557,373**
Share premium		281,951	281,951
Other comprehensive loss not be reclassified to profit or loss		(7,509)	(7,371)
Other comprehensive loss to be reclassified to profit or loss		(270,035)	(394,865)
Other funds		4,340	4,340
Restricted profit reserves		194,086	144,504
Accumulated deficit		(145,490)	(390,220)
Net (loss) / profit for the period		(234,405)	294,312
TOTAL EQUITY		**9,380,311**	**9,490,024**
TOTAL LIABILITIES AND EQUITY		**28,831,934**	**28,372,274**

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Reviewed / current period 1 January- 30 June 2017	Reviewed / prior period 1 January- 30 June 2016
Net sales	17	7,193,986	6,200,713
Cost of sales (-)	18	(5,326,159)	(4,651,186)
Gross profit		**1,867,827**	**1,549,527**
General administrative expenses (-)	19	(672,828)	(555,662)
Marketing expenses (-)	19	(37,702)	(25,421)
Other income from operating activities	20	107,920	124,079
Other expense from operating activities (-)	20	(226,816)	(117,206)
Operating profit		**1,038,401**	**975,317**
Income from investing activities	21	181	199
Expense from investing activities (-)	21	(282,383)	-
Operating profit before financial income		**756,199**	**975,516**
Financial income	22	20,383	32,313
Financial expense (-)	22	(1,066,575)	(598,962)
(Loss) / profit before taxation on income		**(289,993)**	**408,867**
Current tax expense (-)	14	(24,716)	(52,240)
Deferred tax income / (expense)	14	80,304	(111,002)
Tax income / (expense)		**55,588**	**(163,242)**
Net (loss) / profit for the period		**(234,405)**	**245,625**
Other comprehensive income / (expense)			
Items not to be reclassified subsequently to profit or loss		**(138)**	**(404)**
Actuarial (loss) / gain	16	(173)	(505)
Taxes related to items not be classified to profit or loss		35	101
Items to be reclassified subsequently to profit or loss		**124,830**	**20,919**
Fair value gain on derivative financial instruments	12, 16	156,038	26,149
Taxes related to items to be classified to profit or loss	16	(31,208)	(5,230)
Other comprehensive income /(expense) after tax		**124,692**	**20,515**
Total comprehensive (expense) / income		**(109,713)**	**266,140**
(Losses)/earnings per share from continued operations			
(Losses)/earnings per share with nominal value kr. 1 each		(0.02)	0.03

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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	Share capital	Adjustment to share capital	Share premium	Restricted profit reserves	Other funds	Items to be reclassified to profit or loss (Hedge reserves)	Items not to be reclassified to profit or loss (Actuarial loss)	(Accumulated deficit) / Retained earnings	Net profit / (loss) for the period	Total equity
Balances at 1 January 2016	9,590,685	(33,312)	281,951	58,043	4,340	(146,959)	(10,962)	(587,581)	283,822	9,440,027
Transfer	-	-	-	13,744	-	-	-	270,078	(283,822)	-
Total comprehensive income / (expense)	-	-	-	-	-	20,919	(404)	-	245,625	266,140
Balances at 30 June 2016	9,590,685	(33,312)	281,951	71,787	4,340	(126,040)	(11,366)	(317,503)	245,625	9,706,167
Balances at 1 January 2017	9,590,685	(33,312)	281,951	144,504	4,340	(394,865)	(7,371)	(390,220)	294,312	9,490,024
Transfer	-	-	-	49,582	-	-	-	244,730	(294,312)	-
Total comprehensive (expense) / income	-	-	-	-	-	124,830	(138)	-	(234,405)	(109,713)
Balances at 30 June 2017	9,590,685	(33,312)	281,951	194,086	4,340	(270,035)	(7,509)	(145,490)	(234,405)	9,380,311

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Reviewed / current period 1 January- 30 June 2017	Reviewed / prior period 1 January- 30 June 2016
Cash flows from operating activities:		**1,507,439**	**1,544,296**
(Loss) / profit for the period		**(234,405)**	**245,625**
(Loss) / profit for the period from continued operations		(234,405)	245,625
Adjustments to reconcile profit for the period		**1,513,575**	**1,236,409**
Adjustments related to the depreciation and amortization		320,657	227,043
Adjustments related to the depreciation of tangible assets	10	202,015	116,284
Adjustments related to the amortization of intangible assets	11	118,642	110,759
Adjustments related to impairment loss		189,363	116,860
Adjustments related to impairment loss recognised on receivables, net	8	189,363	116,860
Adjustments related to provisions		98,562	33,395
Adjustments related to provisions for employee benefits		26,558	3,234
Adjustments related to provisions for legal cases and penalty provision		16,148	(15,471)
Adjustments related to provisions for other provisions		55,856	45,632
Adjustments related to interest (income) and expenses		630,602	508,798
Adjustments related to interest income	22	(20,383)	(32,313)
Adjustments related to interest expense	22	650,985	541,111
Adjustments related to change in fair value (gain)		97,683	314,828
Adjustments related to change in fair value (gain) of derivative instruments	12	97,683	314,828
Adjustments related to tax expenses		(55,588)	163,242
Adjustments related to corporate tax expense	14	24,716	52,240
Adjustments related to deferred tax expense	14	(80,304)	111,002
Unrealized foreign exchange loss		510,962	225,800
Unrealized foreign exchange losses on borrowings		511,855	240,655
Unrealized foreign exchange losses / (gains) from other than borrowings		(893)	(14,855)
Adjustments related to (gain) of sale of fixed assets		8,676	(85)
Adjustments related to (gain) of sale of tangible assets	21	8,676	(85)
Adjustments related to (gain) of sale of asset held-for sale or assets to be distributed to shareholders		273,672	-
Adjustments related to (gain) of sales of asset held-for sale	23	273,672	-
Adjustments related to change in other items from investing or financing activities	22	18,658	14,864
Other adjustments to reconcile (loss) / profit		(579,672)	(368,336)
Changes in operating assets and liabilities:		**(139,631)**	**(127,712)**
Adjustments related to increase in trade receivables		(56,179)	(7,864)
Adjustments related to decrease / (increase) in trade receivables from related parties		16,156	328,541
Adjustments related to increase in trade receivables from third parties		(72,335)	(336,405)
Adjustments related to increase in inventories		(3,441)	(38,175)
Adjustments related to decrease in other receivables and current assets		88,233	134,351
Adjustments related to decrease in other receivables from related parties		(7,205)	-
Adjustments related to decrease in other receivables from third parties		95,438	134,351
Adjustments related to increase derivative instruments assets		107,231	129,169
Adjustments related to decrease prepaid expenses		(3,051)	105,040
Adjustments related to decrease in trade payables		(504,987)	(303,261)
Adjustments related to (decrease) / increase in trade payables to related parties		(20,230)	(213,678)
Adjustments related to decrease in trade payables to third parties		(484,757)	(89,583)
Adjustments related to increase / (decrease) in obligations		620	-
Adjustments related to (decrease) / increase in other payables and expense accruals		339,174	(216,182)
Adjustments related to (decrease) / increase in other payables to third parties		339,174	(216,182)
Adjustments related to increase / (decrease) derivative instruments liabilities		(107,231)	69,210
Net cash generated from operating activities		**1,139,539**	**1,354,322**
Employee benefits paid		(25,417)	(23,384)
Provisions paid		(72,356)	(165,853)
Taxes paid	14	(24,372)	(110,366)
Other cash inflows		490,045	489,577

The accompanying notes form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Reviewed / current period 1 January- 30 June 2017	Reviewed / prior period 1 January- 30 June 2016
Cash flows from investing activities:		**(765,331)**	**(928,906)**
Purchases of tangible and intangible assets		(135,024)	(382,888)
Purchases of tangible assets		(120,195)	(381,783)
Purchases of intangible assets	11	(14,829)	(1,105)
Proceeds from sales on tangible and intangible assets		7,499	114
Proceeds from sales of tangible assets		7,499	114
Proceeds from sale of asset-held for sale		227,957	-
Purchases of asset-held for sale	23	(96,786)	(28,150)
Interest received		15,945	20,816
Dividend received		146	114
Other cash in-out flows		(785,068)	(538,912)
Cash flows from financing activities:		**(257,145)**	**(615,259)**
Proceeds from borrowing		16,365,270	13,319,320
Proceeds from bank borrowing		16,365,270	13,319,320
Repayments of borrowing		(16,218,781)	(13,616,792)
Repayments of bank borrowing		(16,197,126)	(13,601,928)
Commissions and fees paid		(21,655)	(14,864)
Interest received		3,738	11,497
Interest paid		(622,443)	(440,728)
Other cash inflows		215,071	111,444
Net change in cash and cash equivalents		484,963	131
Cash and cash equivalents at the beginning of the period	6	108,623	258,035
Cash and cash equivalents at the end of the period	6	**593,586**	**258,166**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

Enerjisa Enerji A.Ş. ("the Company") is established on 26 December 2011 as a joint venture between Hacı Ömer Sabancı Holding A.Ş. ("Sabancı") and Verbund International GmbH ("Verbund International"). Verbund and E.ON SE ("E.ON") transferred all Verbund International shares in the Company and its subsidiaries to E.ON and the transfer have been finalized on 24 April 2013.

The Company is registered in Turkey and the address of the headquarters is as follows:

Sabancı Center Kule 2 Kat 5 4. Levent 34330 Istanbul

The Company, together with its subsidiaries (together "the Group"), is primarily engaged in making investments in energy companies, and deals with generation, sale, and distribution of electricity, and trade of natural gas. Subsidiaries consolidated in the interim consolidated financial statements as of 30 June 2017 and their activities are as follows:

Enerjisa Başkent Elektrik Dağıtım A.Ş.("BAŞKENT EDAŞ")(*)	Distribution of electricity
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş ("AYEDAŞ")(*)	Distribution of electricity
Toroslar Elektrik Dağıtım A.Ş. ("TOROSLAR EDAŞ")(*)	Distribution of electricity
Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("EPS")(*)	Retail service of electricity
İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AEPSAŞ")(*)	Retail service of electricity
Toroslar Elektrik Perakende Satış A.Ş. ("TOROSLAR EPSAŞ")(*)	Retail service of electricity
Enerjisa Enerji Üretim A.Ş. ("GenCo")(**)	Generation of electricity and steam
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. ("TradeCo") (**)	Trading of electricity
Enerjisa Doğal Gaz Toptan Satış A.Ş. ("GasCo")(**)	Trading of natural gas
Enerjist Solar Enerji Üretim A.Ş. ("Enerjist")	Generation of electricity

(*) Further to resolution of Board of Directors dated 27.04.2017 and numbered 96, The Company made a decision on merging with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") by take-over method. The respective merger transaction was registered in the Istanbul Trade Registry on 28.04.2017 and published in the Trade Registry Gazette dated 08.05.2017 and numbered 9321. The Company did not make any share capital increase since it has all shares of EEDAŞ. The merger was conducted in accordance with the provisions of the articles 136, 155/1-a and 156/1 of Turkish Commercial Code ("TCC") and the articles 19 and 20 of the Corporate Tax Law ("CTL")and other provisions of legislation. As a result of this merger, EEDAŞ was entirely taken over by Enerjisa Enerji A.Ş. with its all assets and liabilities along with subsidiaries. EEDAŞ does not continue its existence as a legal entity.

(**) Further to resolution of Board of Directors dated 05.05.2017 and numbered 100, in accordance with the provisions of the articles 159-179 of TCC and articles 19/3-b and 20/3 of CTL, the Company made a decision on transferring these three subsidiaries by spin-off method with the carrying amounts in balance sheet dated 30.04.2017 and for which that will be the share capital of new established company whose 50% of share capital owned by Sabancı Holding A.Ş. and 50% of share capital owned by DD Turkey Holdings S.A.R.L. ("E.ON"). As of June 30, 2017, split process is still continuing an has no effect on the Group's financial statements.

Group's operations are substantially carried out in one geographical segment (Turkey).

The Group has 10,041 employees as of 30 June 2017 (31 December 2016: 9,667 employees).

The condensed consolidated financial statements were authorized for issue by the Board of Directors of the Company on 17 August 2017. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

GenCo:

GenCo was established in 1996 as a Turkish company by, among others, Sabancı. As of 31 May 2007, Österreichische Elektrizitatswirtschafts-Aktiengesellschaft ("Verbund") acquired the 49.99% shares of GenCo and GenCo became a joint venture between Sabancı and Verbund. According to the Board of Directors resolution dated 15 October 2008 and numbered 245, Verbund, one of the main shareholders of GenCo, Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş., Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş., Teknosa İç ve Dış Ticaret A.Ş. which are minority shareholders of GenCo, sold their shares to Verbund International. In December 2011; Sabancı and Verbund International transferred their shares to the Company.

GenCo was established for the primary purpose of engaging in the generation and selling of electricity and steam.

GenCo's power plants and their specifications are as follows:

1. **Bandırma Combined Cycle Power Plant ("Bandırma CCPP"):** Bandırma CCPP is located in Balıkesir, Bandırma town. Electricity Generation Licence was obtained on 7 February 2008 and the construction of the plant was started on 1 June 2008. Its installed capacity is 936.2 MW.
2. **Kentsa Natural Gas Power Plant ("Kentsa NGPP"):** The plant has been operating in Kocaeli, İzmit since 10 October 1997. The co-generation power plant has electricity capacity of 120 MW and steam production capacity of 275 tonnes /hour. Electricity generation capacity has been decreased to 40 MW in the third quarter of 2015.
3. **Çanakkale Natural Gas Power Plant ("Çanakkale NGPP"):** The co-generation power plant is located in Çanakkale and has been in operation since 3 August 2002. The plant has one gas turbine (GTG) with 43.5 MW capacity, one heat recovery steam generator (HRSG) with 75-tonnes/hour steam capacities and a steam turbine with 22.5 MW capacity. Considering its economic benefit, the Company has decided to stop the operations of the plant as of end of 2014.
4. **Hacınınoğlu Hydroelectric Power Plant ("Hacınınoğlu HPP"):** Hacınınoğlu Power Plant, which is located in Kahramanmaraş, Menzelet dam - Ilıca town and in operation since 3 February 2011, has an installed capacity of 142.2 MW. The generation licence was obtained on 9 March 2006 for 49 years. Annual electricity generation capacity is 382.6 GWh.
5. **Çanakkale Wind Power Plant ("Çanakkale WPP"):** Çanakkale Wind Power Plant, which is located in Çanakkale, Mahmudiye town, has an installed capacity of 29.9 MW with 13 turbines. The generation licence was obtained on 21 February 2008 for 49 years. Annual electricity generation capacity is 91.6 GWh.
6. **Menge Hydroelectric Power Plant ("Menge HPP"):** Menge Power Plant, which is located in Adana Province, has an installed capacity of 89.4 MW. The production Licence was obtained on 6 July 2006 for 49 years. Annual electricity generation capacity is 204 GWh.
7. **Dağpazarı Wind Power Plant ("Dağpazarı WPP"):** Dağpazarı Wind Power Plant, which is located in Mersin, Mut town, has an installed capacity of 39 MW with 13 turbines and is connected to Birkapılı HEPP. The generation licence was obtained on 24 July 2008 for 49 years. Annual electricity generation capacity is 129 GWh.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

GenCo (Continued):

8. **Bares Wind Power Plant ("Bares WPP"):** Bares Wind Power Plant, which is located in Balıkesir Province, Center and Kepsut Sub-Province, has an installed capacity of 142.5 MW with 52 turbines. The generation licence was obtained on 18 April 2007 for 49 years. Annual electricity generation capacity is 524 GWh.

9. **Köprü Hydroelectric Power Plant ("Köprü HPP"):** Köprü Power Plant, which is located in Adana Province, has an installed capacity of 156 MW. The generation licence was obtained on 6 July 2006 for 49 years. Annual electricity generation capacity is 384 GWh.

10. **Dağdelen Hydroelectric Power Plant ("Dağdelen HPP"):** Dağdelen Power Plant, which is located in Kahramanmaraş Province, has an installed capacity of 8 MW. The generation licence was obtained on 9 March 2006 for 49 years. Annual electricity generation capacity is 28 GWh.

11. **Kandil Hydroelectric Power Plant ("Kandil HPP"):** Kandil Power Plant, which is located in Kahramanmaraş has an installed capacity of 208 MW. The project, which is concrete-face rock fill dam structure, has totally 207 MW installed capacity. Kandil Dam and HEPP project which has 539 GWh annual production capacities with 14.5 km2 reservoir was commissioned in the third quarter of 2013.

12. **Sarıgüzel Hydroelectric Power Plant ("Sarıgüzel HPP"):** Sarıgüzel Power Plant, which is located in within the boundaries of Kahramanmaraş province, Sarıgüzel Dam and Hydroelectric Power Plant is a sand gravel concrete faced rock fill dam structured project. The construction of the project had been started in 2009 and was commisioned in the third quarter of 2013. With the total 103 MW installed capacity of the project, the annual production capacity is 312 GWh.

13. **Kuşaklı Hydroelectric Power Plant ("Kuşaklı HPP"):** Kuşaklı Power Plant which is located on Seyhan River, in the boundaries of Adana Province, was started in 2011. The project has been completed in the third quarter of 2013 within two pieces 10 MW tiger tribunes and total 20MW installed capacity.

14. **Çambaşı Hydroelectric Power Plant ("Çambaşı HPP"):** Çambaşı Regulator and Hydroelectric Power Plant is located in Trabzon, Çaykara. The construction of the project has been started in 2010 and completed in the December 2013. Çambaşı Regulator and HEPP has 45MW installed capacity.

15. **Arkun Dam and Hydroelectric Power Plant ("Arkun HPP")** Arkun Dam, on the border with the province of Erzurum-Artvin Coruh River project located on the front face of the concrete is covered with sand, gravel fill dam. Construction of the plant started in 2010, has been commissioned in the second quarter of 2014. Arkun HPP has 245 MW installed capacity.

16. **Kavşak Bendi Dam and Hydroelectric Power Plant ("Kavşak Bendi HPP")** With concrete face rock fill dam structure, Kavşak Bendi project has 191 MW installed capacity. The construction of the project, located on Seyhan River, Adana, had been started in 2008. 186 MW installed capacity Kavşak Bendi HEPP, has been put into operation in the first quarter of 2014 after the Ministry acceptance of the third unit of the project.

17. **Yamanlı II Dam and Hydroelectric Power Plant ("Yamanlı II HPP"):** Two-stage construction activities of Yamanlı project, located on Göksu arm of the Seyhan River in the boundary of Adana, started in May 2011. The first stage of the project has 60 MW and the other has 22 MW installed capacity. Stage-2 has been put into operation in early 2015 and Stage-1 has been put into operation in first quarter of 2016.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

GenCo (Continued):

18. **Bandırma II Combined Cycle Power Plant ("Bandırma II CCPP"):** Bandırma II Natural Gas Combined Cycled Power Plant's construction started in 2014 finished in the second quarter of 2016. It is located in province of Balıkesir, Bandırma district, Şirinçavuş village, Hacialibey site and its installed capacity is 607 MW.

19. **Tufanbeyli Lignite Power Plant ("Tufanbeyli"):** Tufanbeyli Lignite Power Plant, which is the largest domestic lignite power plant of Turkey commissioned by the private sector, works on the lignite resources and is located in between Yamanlı-Kayarcık-Taşpınar villages, in Tufanbeyli, Adana. The plant is comprised of 3 units. Tufanbeyli Power Plant generates approximately 2.5 billion kWh electricity annually by using 826.5 tons per hour of coal from the open quarries which are close to the plant. Based on the coal reserves, Tufanbeyli LPP is planned to be operated for 30-35 years. The construction activities of the power plant have been kicked off in 2011 and as of September 15, 2016 three units (450 MW) were all put into the operation.

20. **Doğançay Regulator and Hydroelectric Power Plant ("Doğançay HPP"):** Doğançay HEPP with a capacity of 62 MW, which is one of the two projects of Enerjisa opened by tunnel borring machine (TBM) instead of traditional methods, was put into the operation as of April 01, 2017. Doğançay HEPP, having all the units except for the regulator area are built underground and with this feature it has particular importance within Enerjisa projects. Constructed in 5.5 years, the project consists of a regulator structure with a height of 30 meters, a tunnel of 6.9 kilometers in length and an energy tunnel opened by a tunnel borring machine, a 273 meter tall surge tank, a penstock pipe shaft and a 514 meter long pressure pipe tunnel.

The details and the status of the projects under GenCo as of 30 June 2017 are as follows:

Projects	Plant Type	Installed Capacity (MW)	Status
İBA	Hydroelectric Power Plant	168	Licensed
Pervari	Hydroelectric Power Plant	400	Licensed

TradeCo:

TradeCo was established in 2004 by GenCo as a Turkish company. As of 14 December 2007, Verbund and Sabancı acquired the 99.99% shares of TradeCo and consequently TradeCo became a joint venture between Sabancı and Verbund. According to the Board of Directors resolution dated 16 October 2008 and numbered 29, Verbund, sold its shares to Verbund International. In December 2011; Sabancı and Verbund International transferred their shares to the Company.

TradeCo assumes the role of the Group optimizer. It engages in wholesale activities in order to protect the value of Groups's generation output. It decides on make-or-buy strategies in the over-the-counter (OTC), spot and balancing markets. TradeCo optimizes the use of different market segments for Groups's portfolio and also engages in wholesale electricity trading activities in order to pursue commercial opportunities. In addition, TradeCo actively engages in electricity import/export transactions and produces value from carbon certificates. Also TradeCo engages in direct selling of electricity to customers which also includes Enerjisa group companies. TradeCo also provides risk management solutions to external customers and counterparties.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

GasCo:

GasCo was established in 2004 by GenCo as a Turkish company. In 2007, Verbund and Sabancı acquired the 99% shares of GasCo and consequently GasCo became a joint venture between Sabancı and Verbund. In 2008, Verbund, sold its shares to Verbund International. In December 2011; Sabancı and Verbund International transferred their shares to the Company.

GasCo is engaged in optimizing the natural gas consumption of the Enerjisa Group and assessing the new business opportunities in the gas market. GasCo is acting as a hub for collecting gas and selling to end-users via distribution companies. Additionally, GasCo sells gas to related parties based on agreement signed with those parties. GasCo has obtained Spot LNG Licence on 6 September 2010 which is effective for 10 years and effectively started its operations in 2011.

BAŞKENT EDAŞ:

The Company, which was a joint venture of Sabancı and Verbund has officially acquired 100% of the shares of Enerjisa Başkent Elektrik Dağıtım A.Ş.'nin ("BAŞKENT EDAŞ") as of 28 January 2009 by privatization bid for the consideration of USD 1,225 thousands. The Company currently operates in province including Ankara, Kırıkkale, Kastamonu, Zonguldak, Bartın, Çankırı and Karabük and holds the licence that gives the right for distribution of electricity in these provinces for 30 years starting from the date of Transfer of Operation Rights ("TOR") agreement signed with Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") on 31 March 2006. Following the privatization bid, shares of Verbund was transferred to Verbund International. Sabancı and Verbund transferred their shares to Enerjisa Enerji A.Ş. which was established in December 2011 as a joint venture of Sabancı and Verbund.

On 4 December 2012, Verbund International and E.ON entered into a Share Purchase Agreement for the sale and transfer of all Verbund shares in Enerjisa Enerji A.Ş. to E.ON and the transfer is finalized on 24 April 2013.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced new tariff for the period between 1 January 2016 and 31 December 2020.

As of 1 January 2013, Başkent Elektrik Dağıtım A.Ş. is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 12 September 2012, EPS was established with the same shareholder structure and as of 31 December 2012, Başkent Elektrik Dağıtım A.Ş. has transferred some of its assets and liabilities to EPS, due to the fact that, legal unbundling and the unbundling related transactions have been registered as of 31 December 2012. Starting from 1 January 2013, the Company has undertaken only the distribution activities. In addition, with the new regulation applied by EMRA, the Company started retail sales only for illumination customers starting from 1 April 2013.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

AYEDAŞ:

The Company currently operates in Anatolian Side of İstanbul and holds the licence that gives the right for distribution of electricity in this province until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2013 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced new tariff for the period between 1 January 2016 and 31 December 2020.

Starting from 1 January 2013, the Company is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, AEPSAŞ was established with the same shareholder structure and as of 31 December 2012, the Company has transferred some of its assets and liabilities to AEPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and AEPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales Licence obtained due to unbundling. Starting from 1 January 2013, the Company has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, the Company started retail sales only for illumination customers starting from 1 April 2013.

EEDAŞ, which is a joint venture of Sabancı and E.ON have officially acquired 100% of the shares of the Company and AEPSAŞ as of 31 July 2013 by privatization bid for the consideration of USD 1.227 thousands.

TOROSLAR EDAŞ:

The Company currently operates in Adana, Gaziantep, Hatay, Kilis, Mersin and Osmaniye and holds the licence that gives the right for distribution of electricity in these provinces until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced new tariff for the period between 1 January 2016 and 31 December 2020.

Starting from 1 January 2013, the Company is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, TOROSLAR EPSAŞ was established with the same shareholder structure and as of 31 December 2012, the Company has transferred some of its assets and liabilities to TOROSLAR EPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and TOROSLAR EPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales Licence obtained due to unbundling. Starting from 1 January 2013, the Company has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, the Company started retail sales only for illumination customers starting from 1 April 2013.

Enerjisa Elektrik Dağıtım A.Ş., which is a joint venture of Sabancı and E.ON have officially acquired 100% of the shares of the Company and Toroslar Elektrik Dağıtım A.Ş. as of 30 September by privatization bid on 30 September 2013 for the consideration of USD 1,725 thousands.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

EPS:

Starting from 1 January 2013, Enerjisa Başkent Elektrik Dağıtım A.Ş. ("Başkent") is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 12 September 2012, Enerjisa Başkent Elektrik Perakende Satış A.Ş. was established with the same shareholder structure of Başkent and as of 31 December 2012 Başkent has transferred some of its assets and liabilities to the Company due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and the Company started retail sales operations on 1 January 2013 according to the Supplier Licence obtained due to unbundling. Starting from 1 January 2013, Başkent has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, Başkent started retail sales only for illumination customers starting from 1 April 2013.

AEPSAŞ:

Starting from 1 January 2013, AYEDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, the Company was established with the same shareholder structure and as of 31 December 2012, AYEDAŞ has transferred some of its assets and liabilities to the Company due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and the Company started retail sales operations on 1 January 2013 according to the Supplier Licence obtained due to unbundling. Starting from 1 January 2013, AYEDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, AYEDAŞ started retail sales only for illumination customers starting from 1 April 2013.

TOROSLAR EPSAŞ:

Starting from 1 January 2013, Enerjisa Toroslar Elektrik Dağıtım A.Ş. is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, the Company was established with the same shareholder structure and as of 31 December 2012, Enerjisa Toroslar Elektrik Dağıtım A.Ş. has transferred some of its assets and liabilities to the Company due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and the Company started retail sales operations on 1 January 2013 according to the Supplier Licence obtained due to unbundling. Starting from 1 January 2013, Enerjisa Toroslar Elektrik Dağıtım A.Ş. has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, Enerjisa Toroslar Elektrik Dağıtım A.Ş. started retail sales only for illumination customers starting from 1 April 2013.

Enerjist:

Enerjist was established in 2015 by the Company as a Turkish company to develop and construct unlicenced solar energy projects.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

Interim condensed consolidated financial statements for the interim period ended on 30 June 2017 have been prepared in accordance with TAS 34 Interim Financial Reporting. Interim financial statements do not include all the information and disclosures required to be included in the annual financial statements. In addition, significant accounting policies and significant accounting estimates and assumptions used in the preparation of the condensed consolidated financial statements in the condensed consolidated interim balance sheet for the six-month period ended June 30, 2017 are consistent with each other. Therefore, the financial statements in the interim condensed consolidated balance sheet should be read and evaluated together with the annual financial statements prepared by the Group as of December 31, 2016.

Condensed consolidated financial statements have been prepared in Turkish Liras ("TL") as the functional and presentation currency of the Group, based on the historical cost basis except for the valuation of certain assets and liabilities. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2 Changes in accounting policies

The same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the Group's interim condensed consolidated financial statements as at and for the year ended 31 December 2016.

2.3 Changes in accounting estimates and errors

The preparation of interim financial statements requires management to make judgements, estimates, and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

2.4 Comparative information and reclassification of previous financial information

In order to allow for the determination of the financial situation and performance trends, the Group's interim condensed consolidated financial statements have been presented comparatively with the previous year. In order to provide comparability, when presentation or classification of financial statements are changed, previous' financial statements are reclassified in accordance with the amendment.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Comparative information and reclassification of previous financial information (Continued)

Reclassifications made to the comparative financial statements during the preparation of consolidated financial statements for the six month interim period ended June 30, 2017 are as follows:

- Vacation pay liabilities TL 19,624 which was recorded under "Short-term provisions for employee benefits" in consolidated statement of financial position for the six month interim period ended 31 December 2016 of the Company is reclassified under "Long-term provisions for employee benefits".
- Bond issued TL 350,000 which was recorded under "Short-term portion of long-term bank borrowings" in consolidated statement of financial position for the six month interim period ended 31 December 2016 of the Company is reclassified under "Long-term bank borrowings".
- Taxes and dues payable TL 163,702 which was recorded under "Other current liabilities" in consolidated statement of financial position for the six month interim period ended 31 December 2016 of the Company is reclassified under "Other payables to third parties".
- Marketing expenses TL 25,421 which was recorded under "Operating expenses" in consolidated statement of profit or loss and other comprehensive income for the six month interim period ended 30 June 2016 of the Company is reclassified under "Marketing expenses".
- Doubtful receivable expenses TL 36,917 which was recorded under "Operating expenses" in consolidated statement of profit or loss and other comprehensive income for the six month interim period ended 30 June 2016 of the Company is reclassified under "Other expense from operating activities".
- Dividend income TL 114 which was recorded under "Other income from operating activities" in consolidated statement of profit or loss and other comprehensive income for the six month interim period ended 30 June 2016 of the Company is reclassified under "Income from investing activities".
- Gain on sale of fixed assets TL 85 which was recorded under "Other income from operating activities" in consolidated statement of profit or loss and other comprehensive income for the six month interim period ended 30 June 2016 of the Company is reclassified under "Income from investing activities".

2.5 Seasonality of the Group's operations

The results of Group's operations do not show a significant change by season.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 3 - APPLICATION OF NEW AND REVISED TURKISH ACCOUNTING STANDARDS

3.1 Amendments to TASs affecting amounts reported and/or disclosures in the consolidated financial statements

None.

3.2 The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued

IFRS 10 and IAS 28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Annual Improvements to IFRSs – 2014-2016 Cycle:	*IFRS 12 Disclosure of Interests in Other Entities* [2] *IAS 28 Investments in Associates and Joint Ventures* [3]
Annual Improvements - 2010–2012 Cycle:	*IFRS 13 Fair Value Measurement* [1]
IFRS 16	*Leases* [4]
IAS 12 (Amendments)	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* [2]
IAS 7 (Amendments)	*Statement of Cash Flows* [2]
IFRS 2 (Amendments)	*Classification and Measurement of Share-based Payment Transactions* [3]
IFRS 4 (Amendments)	*Insurance Contracts* [3]
IAS 40 (Amendments)	*Investment Property: Transfers of Investment Property* [3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration* [3]
IFRIC 23	*Uncertainty over Income Tax Treatments* [4]
IFRS 17	*The new Standard for insurance contracts* [5]

3.3 Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows:

IFRS 9	*Financial Instruments* [3]
IFRS 15	*Revenue from Contracts with Customers* [3]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after 1 January 2021.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4 - GROUP ACCOUNTING

4.1 Basis of consolidation

The details of the Company's subsidiaries at 30 June 2017 and 31 December 2016 are as follows:

	Direct and indirect ownership interest by the Group (%)		Proportion of effective interest (%)	
Subsidiaries	**30 June 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
Genco	99.99	99.99	99.99	99.99
Tradeco	100.00	100.00	100.00	100.00
Gasco	100.00	100.00	100.00	100.00
EEDAŞ (*)	-	100.00	-	100.00
BEDAŞ	100.00	100.00	100.00	100.00
AYEDAŞ	100.00	100.00	100.00	100.00
TOROSLAR EDAŞ	100.00	100.00	100.00	100.00
EPS	100.00	100.00	100.00	100.00
AEPSAŞ	100.00	100.00	100.00	100.00
TOROSLAR EPSAŞ	100.00	100.00	100.00	100.00
Enerjisa Suçatı Elektrik Üretim A.Ş.	99.99	99.99	99.99	99.99
İBA Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.	99.99	99.99	99.99	99.99
Pervari Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.	99.99	99.99	99.99	99.99
Murat Nehri Elektirk Üretim A.Ş. (**)	-	99.99	-	99.99
Enerjist	100.00	100.00	100.00	100.00

(*) Further to resolution of Board of Directors dated 27.04.2017 and numbered 96, Enerjisa Enerji A.Ş. made a decision on merging with EEDAŞ by take-over method. The respective merger transaction was registered in the Istanbul Trade Registry on 28.04.2017 and published in the Trade Registry Gazette dated 08.05.2017 and numbered 9321. Enerjisa Enerji A.Ş. did not make any share capital increase since it has all shares of EEDAŞ.

(**)As a part of the Group's spin off plan, the subsidiary, Murat Nehri, had presented assets held for sale as of 31 December 2015 and 2016, in previous years' financial statements. The abovementioned subsidiary has been sold on 27 April 2017.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTE 4 - GROUP ACCOUNTING (Continued)

4.1 Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 – SEGMENT REPORTING

The business activities of the Group are managed and organized according to the services provided in the electricity market. Since the Group has companies in various categories in this market, it prepares reports according to IFRS 8 in order to provide unbiased and transparent information to the investor.

The following table contains information on the Group's sales and profit from its operations for the period ended 30 June 2017 and 30 June 2016.

1 January - 30 June 2017	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Net sales	5,448,874	1,996,379	10,373	(261,640)	7,193,986
Cost of sales (-)	(3,871,361)	(1,696,598)	(7,371)	249,171	(5,326,159)
Gross profit / (loss)	**1,577,513**	**299,781**	**3,002**	**(12,469)**	**1,867,827**
Operating expenses (-)	(681,271)	(36,713)	(5,843)	13,297	(710,530)
Other income / (expense) from operating activities - net	(122,392)	4,681	(357)	(828)	(118,896)
Operating profit / (loss)	**773,850**	**267,749**	**(3,198)**	**-**	**1,038,401**
Income / (expense) from investing activities - net	-	(282,202)	-	-	(282,202)
Operating profit / (loss) before financial income	**773,850**	**(14,453)**	**(3,198)**	**-**	**756,199**
Financial income / (expense) - net	(479,142)	(567,477)	427	-	(1,046,192)
Profit /(loss) before taxation on income	**294,708**	**(581,930)**	**(2,771)**	**-**	**(289,993)**
Current tax expense (-)	(24,154)	(562)	-	-	(24,716)
Deferred tax income / (expense)	(55,332)	135,636	-	-	80,304
Net profit / (loss) for the period	**215,222**	**(446,856)**	**(2,771)**	**-**	**(234,405)**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 – SEGMENT REPORTING (Continued)

1 January - 30 June 2016	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Net sales	4,513,859	2,017,890	12,300	(343,336)	6,200,713
Cost of sales (-)	(3,356,744)	(1,603,716)	(8,762)	318,036	(4,651,186)
Gross profit / (loss)	**1,157,115**	**414,174**	**3,538**	**(25,300)**	**1,549,527**
Operating expenses (-)	(549,658)	(42,986)	(4,692)	16,253	(581,083)
Other income / (expense) from operating activities - net	(256)	(2,115)	197	9,047	6,873
Operating profit / (loss)	**607,201**	**369,073**	**(957)**	**-**	**975,317**
Income / (expense) from investing activities - net	-	199	3,500	(3,500)	199
Operating profit / (loss) before financial income	**607,201**	**369,272**	**2,543**	**(3,500)**	**975,516**
Financial income / (expense) -net	(325,121)	(243,831)	2,303	-	(566,649)
Profit /(loss) before taxation on income	**282,080**	**125,441**	**4,846**	**(3,500)**	**408,867**
Current tax expense (-)	(51,369)	(871)	-	-	(52,240)
Deferred tax income / (expense)	(17,180)	(93,822)	-	-	(111,002)
Net profit / (loss) for the period	**213,531**	**30,748**	**4,846**	**(3,500)**	**245,625**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 – SEGMENT REPORTING (Continued)

The information below includes fixed asset information about the Group's business activities for the period ended June 30, 2017 and December 31, 2016.

1 January - 30 June 2017					
Other segment information	**Distribution/Retail**	**Generation/Trading**	**Unallocated**	**Elimination**	**Total**
Due from service concession arrangements	4,961,590	-	-	-	4,961,590
Property, plant and equipment	69,425	10,090,955	457	-	10,160,837
Intangible assets	7,796,937	753,575	562	-	8,551,074
Total capex expenditures	**12,827,952**	**10,844,530**	**1,019**	**-**	**23,673,501**

1 January - 30 June 2017	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Depreciation	5,302	196,525	188	-	202,015
Amortization	107,264	11,191	187	-	118,642
Impairment	-	-	-	-	-

1 January - 31 December 2016					
Other segment information	**Distribution/Retail**	**Generation/Trading**	**Unallocated**	**Elimination**	**Total**
Due from service concession arrangements	4,293,306	-	-	-	4,293,306
Property, plant and equipment	58,010	10,187,607	560	-	10,246,177
Intangible assets	7,891,350	762,822	715	-	8,654,887
Total capex expenditures	**12,242,666**	**10,950,429**	**1,275**	**-**	**23,194,370**

1 January - 30 June 2016	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Depreciation	4,004	112,112	168	-	116,284
Amortization	103,474	7,152	133	-	110,759
Impairment	-	-	-	-	-

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NOTE 5 – SEGMENT REPORTING (Continued)

The information below includes information about the Group's financial status of its business related to the period ended 30 June 2017 and 31 December 2016.

1 January - 30 June 2017	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Segment assets					
Cash and cash equivalents	570,100	20,578	2,908	-	593,586
Trade receivables	1,897,945	304,920	1,475	(43,433)	2,160,907
Inventories	82,561	100,733	-	-	183,294
Derivative financial instruments	8,230	375,475	-	-	383,705
Due from service concession arrangements	4,961,590	-	-	-	4,961,590
Available-for-sale financial assets	-	836	-	-	836
Property, plant and equipment	69,425	10,090,955	457	-	10,160,837
Intangible assets	7,796,937	753,575	562	-	8,551,074
Assets held for sale	-	-	-	-	-
Other receivables and assets	1,098,062	780,711	44,862	(87,530)	1,836,105
Total assets	**16,484,850**	**12,427,783**	**50,264**	**(130,963)**	**28,831,934**
Segment liabilities					
Bank borrowings	7,286,519	7,147,956	-	-	14,434,475
Other financial liabilities	275,196	-	-	-	275,196
Trade payables	927,705	287,324	574	(43,433)	1,172,170
Derivative financial instruments	8,853	364,802	-	-	373,655
Liabilities directly associated with assets classified as held for sale	-	-	-	-	-
Other payables and liabilities	3,024,527	207,079	52,051	(87,530)	3,196,127
Total liabilities	**11,522,800**	**8,007,161**	**52,625**	**(130,963)**	**19,451,623**

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NOTE 5 – SEGMENT REPORTING (Continued)

1 January - 31 December 2016	Distribution/Retail	Generation/Trading	Unallocated	Elimination	Total
Segment assets					
Cash and cash equivalents	74,570	27,950	6,103	-	108,623
Trade receivables	1,720,529	418,452	5,906	(124,365)	2,020,522
Inventories	74,459	107,664	-	-	182,123
Derivative financial instruments	3,886	575,880	(1)	-	579,765
Due from service concession arrangements	4,293,306	-	-	-	4,293,306
Available-for-sale financial assets	-	836	-	-	836
Property, plant and equipment	58,010	10,187,607	560	-	10,246,177
Intangible assets	7,891,350	762,822	715	-	8,654,887
Assets held for sale	-	408,840	-	-	408,840
Other receivables and assets	1,015,338	861,693	83,666	(83,502)	1,877,195
Total assets	**15,131,448**	**13,351,744**	**96,949**	**(207,867)**	**28,372,274**
Segment liabilities					
Bank borrowings	6,297,794	7,370,919	88,403	(83,502)	13,673,614
Other financial liabilities	270,221	-	-	-	270,221
Trade payables	1,117,668	410,994	2,454	(124,365)	1,406,751
Derivative financial instruments	-	628,071	-	-	628,071
Liabilities directly associated with assets classified as held for sale	-	3,997	-	-	3,997
Other payables and liabilities	2,698,937	194,975	5,684	-	2,899,596
Total liabilities	**10,384,620**	**8,608,956**	**96,541**	**(207,867)**	**18,882,250**

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NOTE 6 - CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash at banks		
- time deposits	508,919	20,120
- demand deposits	72,967	69,889
- repurchase agreements	11,700	18,614
	593,586	108,623

According to the Security and Accounts Agreement that was signed between the Group and the Creditors (Note 13), the Group is obliged to maintain the deposits in restricted accounts and permitted non-restricted accounts. Establishment, maintenance and transfer into and out of these accounts are defined in the Security and Accounts Agreement. Restricted accounts are mainly for equity disbursement, loan disbursement, revenue payments, insurance and compensations, sponsor support disbursement and additional expenditures. Permitted non-restricted accounts are for dividend distribution ("Distribution Account"), payment of operating and maintenance costs (including payment of personnel costs, social security premium, utilities, taxes, royalty fees and general management expenditures), payments related to trade instruments provided by any bank ("Trade Instrument Accounts") and general corporate purposes within the ordinary course of its business. The Group at no time shall maintain any accounts other than restricted accounts and permitted nonrestricted accounts, and shall grant first ranking perfected security over each account other than the Distribution Account and the Trade Instrument Accounts.

At 30 June 2017 the time deposits were all short term with periods of less than three months, where the interest rate for TL 5,933, EUR 122,903 and USD 3,138 time deposits were 11.7%, 1.7% and 1.0% p.a, respectively (31 December 2016: TL 17,105, EUR 50 and USD 804 time deposits were 11.1%, 0.1% and 0.1% p.a., respectively).

As at 30 June 2017, TL 62,065 of the Group's demand deposits are blocked at different banks (31 December 2016: TL 25,622). These blocked deposits are related to the collections made through bank branches which are made available for use by banks 1 or 2 days after the collection depending on the agreements with related banks.

Repurchase agreements consist of short term TL balances with original maturities between 1-3 days (31 December 2016: 1-3 days TL). The weighted average effective interest rate of TL repurchase agreements is 6.5% as at 30 June 2017 (31 December 2016: 11.80%).

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Transactions with related parties are classified according to the following groups and include all related party disclosures.

(1) Sabancı Holding group companies
(2) Shareholder

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Amounts due from and due to related parties at 30 June 2017 and 31 December 2016 and a summary of major transactions with related parties during the period are as follows:

7.1 Deposits and repurchase agreements at banks

	30 June 2017	31 December 2016
Akbank T.A.Ş.(1)	534,202	24,668

7.2 Loans from related party banks

	30 June 2017	31 December 2016
Akbank T.A.Ş.(1)	3,739,429	3,536,783

7.3 Derivative financial instruments

Akbank T.A.Ş. (1)

	30 June 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
FX forward transactions for USD indexed sales	132,739	(105,179)	143,860	(181,822)
Foreign exchange forwards	-	(70)	12,722	-
Interest rate swap	-	(60,847)	-	(73,902)
	132,739	(166,096)	156,582	(255,724)

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

7.4 Due from related parties

	30 June 2017	31 December 2016
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")(1)	30,838	28,479
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")(1)	17,155	27,461
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa") (1)	6,206	5,327
Akbank T.A.Ş. (1)	5,839	2,197
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa") (1)	4,146	6,045
Kordsa Global End. İplik ve Kord Bezi San. ve Tic. A.Ş. ("Kordsa Global") (1)	4,100	5,641
Hacı Ömer Sabancı Vakfı (1)	391	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	327	-
Sabancı Üniversitesi (1)	155	-
Temsa Global San. ve Tic. A.Ş.	14	-
Aksigorta A.Ş.(1)	12	5
Avivasa Emeklilik ve Hayat A.Ş.(1)	5	48
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. ("Bimsa") (1)	5	-
Hacı Ömer Sabancı Holding A.Ş.(2)	-	294
Other	-	2,085
	69,193	77,582

There are no overdue and no doubtful due from related parties as of 30 June 2017 and 31 December 2016.

7.5 Due to related parties

	30 June 2017	31 December 2016
Bimsa Uluslararası İş ve Bilgi Sistemleri A.Ş. ("Bimsa") (1)	3,098	7,168
Aksigorta A.Ş.(1)	1,144	-
Hacı Ömer Sabancı Holding A.Ş.(2)	99	4
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa") (1)	4	-
Other	-	1,329
	4,345	8,501

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

7.6 Sales

	1 January-30 June 2017	1 January-30 June 2016
Çimsa (1)	49,127	52,189
Akçansa (1)	35,998	49,884
Carrefoursa (1)	29,437	23,634
Brisa (1)	23,688	25,548
Kordsa Global (1)	21,589	30,030
Akbank T.A.Ş. (1)	14,136	12,481
Hacı Ömer Sabancı Holding A.Ş. (2)	1,694	1,519
Teknosa İç ve Dış Tic. A.Ş. (1)	1,636	2,408
Temsa Global Sanayi ve Ticaret A.Ş.(1)	1,263	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa") (1)	1,184	-
Sabancı Üniversitesi (1)	1,015	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	218	-
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş. (1)	33	7,670
Aksigorta A.Ş. (1)	24	-
Bimsa (1)	20	-
Exsa Export San. Mamülleri Satış ve Araştırma A.Ş. (1)	2	-
Other	-	289
	181,064	205,652

The majority of sales to related parties consist of electricity sales.

7.7 Purchases and services received

	1 January-30 June 2017	1 January-30 June 2016
Bimsa (1) (***)	3,412	2,787
Hacı Ömer Sabancı Holding A.Ş. (2) (*)	2,145	1,664
Aksigorta A.Ş. (1) (**)	1,351	-
Kordsa Global (1)	269	162
Avivasa Emeklilik ve Hayat A.Ş. (1) (**)	123	-
Teknosa İç ve Dış Tic. A.Ş. (1)	7	-
	7,307	4,613

(*) Includes rent expenses that is invoiced to the group companies by our shareholder, Hacı Ömer Sabancı Holding A.Ş..

(**) Includes premiums covered under the policies signed with Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş..

(***) Includes IT consulting and software fees that are billed to the group companies by Bimsa, one of the group companies.

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

7.8 Financial income / (expense)

	1 January- 30 June 2017	1 January- 30 June 2016
Interest income		
Akbank T.A.Ş. (1)	16,623	19,966
Interest expense		
Akbank T.A.Ş. (1)	(203,335)	(211,948)
	(186,712)	(191,982)
Foreign currency loss		
Akbank T.A.Ş. (1)	(70,220)	(9,922)
	(256,932)	(201,904)

7.9 Other income

	1 January- 30 June 2017	1 January- 30 June 2016
Kordsa Global (1)	1,179	1,259
Brisa (1)	1,179	1,259
	2,358	2,518

7.10 Key management compensation

Key management includes Chairman and members of the Board of Directors, General Manager, Heads of Units and Directors. The compensation paid or payable to key management for employee services is shown below:

	1 January- 30 June 2017	1 January- 30 June 2016
Short-term employee benefits	15,074	12,009
Long-term employee benefits	1,963	779
Termination benefits	429	688
	17,466	13,476

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 June 2017	31 December 2016
Customer current accounts	3,252,249	2,982,655
Due from related parties (Note 7)	69,193	77,582
Allowance for doubtful receivables (-)	(1,160,535)	(1,039,715)
	2,160,907	**2,020,522**

As of 30 June 2017, trade receivables amounting TL 1,178,488 (31 December 2016: TL 1,497,797) were neither past due nor impaired.

As of 30 June 2017, trade receivables amounting TL 982,419 (31 December 2016: TL 522,725) were past due but not impaired. The balance mainly relates to many independent public and private subscribers of Enerjisa Enerji A.Ş..

The aging analysis of these trade receivables is as follows as of 30 June 2017 and 31 December 2016:

	30 June 2017	31 December 2016
Up to 3 months	739,744	416,320
3 to 6 months	179,030	95,323
More than 6 months	63,645	11,082
	982,419	**522,725**

As of 30 June 2017, trade receivables of TL 1,160,535 (31 December 2016: TL 1,039,715) were considered as impaired and a provision was provided for these trade receivables. The provision for trade receivables is provided based on the aging analysis. The Group management considers the receivables overdue which do not have any guarantees by more than 180 days as impaired by taking the past default experience into consideration.

Movements on the provision for allowance of trade receivables are as follows:

Movement of allowance for doubtful receivables:	1 January - 30 June 2017	1 January - 30 June 2016
Balance at the beginning of the year	(1,039,715)	(897,795)
Additions	(189,363)	(119,993)
Amounts recovered during the year	68,543	81,953
Write-off amount	-	3,133
Closing balance	**(1,160,535)**	**(932,702)**

As of 30 June 2017, the Group received guarantee letters amounting to TL 517,266 (31 December 2016: TL 861,703) and deposits and guarantees amounting to TL 1,021,557 (31 December 2016: TL 881,235) as collateral for its whole electricity receivables.

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	30 June 2017	31 December 2016
Payables to suppliers (*)	1,167,825	1,398,250
Due to related parties (Note 7)	4,345	8,501
	1,172,170	**1,406,751**

Trade payables mainly arise from the Group's electricity purchases made from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. ("TETAŞ"), Enerji Piyasaları İşletme A.Ş. ("EPİAŞ") and natural gas purchases from BOTAŞ and capital expenditures. At 30 June 2017 and 31 December 2016, the majority of trade payables have maturities less than one month.

NOTE 9 - FINANCIAL ASSETS

Considering the terms in the service concession arrangement, the Group has recognised the discounted estimated future cash receipts through the expected life of the arrangement, as financial asset. The detail of the financial assets recognised under the service concession arrangement is as follows:

	Financial assets		Present value of financial assets	
	30 June 2017	**31 December 2016**	**30 June 2017**	**31 December 2016**
Within one year	1,452,013	1,341,573	421,205	653,754
1-3 years	7,949,726	5,998,298	649,661	439,837
3-5 years	10,509,523	8,055,606	847,191	584,614
More than 5 years	40,316,706	33,556,570	3,043,533	2,615,101
	60,227,968	48,952,047	4,961,590	4,293,306
Future financial income	(55,266,378)	(44,658,741)	-	-
	4,961,590	**4,293,306**	**4,961,590**	**4,293,306**
Current financial asset			421,205	653,754
Non - current financial asset			4,540,385	3,639,552
			4,961,590	**4,293,306**

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	30 June 2017
Cost:					
Land	88,465	686	(34)	-	89,117
Land improvements	3,691,302	1,438	-	281,995	3,974,735
Buildings	978,243	-	-	23,887	1,002,130
Machinery and equipment	6,403,875	46,686	(221,263)	41,233	6,270,531
Spare parts	53,787	19,471	-	-	73,258
Motor vehicles	41,202	134	-	-	41,336
Furniture and fixtures	51,701	5,746	(856)	-	56,591
Leasehold improvements	1,567	-	-	-	1,567
Construction in progress	455,783	58,689	(81)	(347,115)	167,276
	11,765,925	132,850	(222,234)	-	11,676,541
Accumulated depreciation:					
Land improvements	263,723	48,363	-	-	312,086
Buildings	61,363	12,222	-	-	73,585
Machinery and equipment	1,153,628	135,042	(205,245)	-	1,083,425
Motor vehicles	19,046	2,870	-	-	21,916
Furniture and fixtures	21,043	3,518	(814)	-	23,747
Leasehold improvements	945	-	-	-	945
	1,519,748	202,015	(206,059)	-	1,515,704
Net book value:					
Land	88,465				89,117
Land improvements	3,427,579				3,662,649
Buildings	916,880				928,545
Machinery and equipment	5,250,247				5,187,106
Spare Parts	53,787				73,258
Motor vehicles	22,156				19,420
Furniture and fixtures	30,658				32,844
Leasehold improvements	622				622
Construction in progress	455,783				167,276
	10,246,177				10,160,837

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Disposals	Transfers	30 June 2016
Cost:					
Land	88,297	273	-	-	88,570
Land improvements	3,235,500	158	-	279,800	3,515,458
Buildings	427,739	370	(24)	68,790	496,875
Machinery and equipment	2,939,748	1,332	-	963,392	3,904,472
Spare parts	19,721	1,839	-	-	21,560
Motor vehicles	40,601	1,611	-	-	42,212
Furniture and fixtures	23,889	9,574	(34)	-	33,429
Leasehold improvements	1,567	-	-	-	1,567
Construction in progress	4,221,916	390,709	-	(1,311,982)	3,300,643
	10,998,978	405,866	(58)	-	11,404,786
Accumulated depreciation:					
Land improvements	177,120	40,370	-	-	217,490
Buildings	46,019	5,518	(9)	-	51,528
Machinery and equipment	967,241	64,387	-	-	1,031,628
Motor vehicles	14,138	4,554	-	-	18,692
Furniture and fixtures	15,743	1,455	(20)	-	17,178
Leasehold improvements	945	-	-	-	945
	1,221,206	116,284	(29)	-	1,337,461
Net book value:					
Land	88,297				88,570
Land improvements	3,058,380				3,297,968
Buildings	381,720				445,347
Machinery and equipment	1,972,507				2,872,844
Spare Parts	19,721				21,560
Motor vehicles	26,463				23,520
Furniture and fixtures	8,146				16,251
Leasehold improvements	622				622
Construction in progress	4,221,916				3,300,643
	9,777,772				10,067,325

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 30 June 2017, TL 195,257 of current period depreciation expenses are included in cost of sales and TL 6,758 of it is included in operating expenses (30 June 2016: TL 111,429 and TL 4,855 respectively).

Based on the provisions of the finance package signed at 13 June 2008, the property, plant and equipment of GenCo are secured by the lenders (Note 26).

Total borrowing costs capitalised in 30 June 2017 and 30 June 2016 are TL 12,655 (interest expense: TL 1,161 foreign exchange loss: TL 11,494) and TL 98,835 (interest expense: TL 44,073 foreign exchange loss: TL 54,762), respectively (Note 22).

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NOTE 11 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	30 June 2017
Cost:				
Licences	800,428	106	-	800,534
Rights	1,656,963	798	-	1,657,761
Customer contracts	4,390,673	-	-	4,390,673
Goodwill	2,730,031	-	-	2,730,031
Other intangibles	59,047	13,925	(81)	72,891
	9,637,142	14,829	(81)	9,651,890
Accumulated amortisation:				
Licences	47,748	9,203	-	56,951
Rights	225,087	28,375	-	253,462
Customer contracts	699,371	75,429	-	774,800
Other intangibles	10,049	5,635	(81)	15,603
	982,255	118,642	(81)	1,100,816
Net book value:				
Licences	752,680			743,583
Rights	1,431,876			1,404,299
Customer contracts	3,691,302			3,615,873
Goodwill	2,730,031			2,730,031
Other intangibles	48,998			57,288
	8,654,887			8,551,074

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NOTE 11 - INTANGIBLE ASSETS (Continued)

	1 January 2016	Additions	Disposals	30 June 2016
Cost:				
Licences	799,876	550	-	800,426
Rights	1,656,216	45	-	1,656,261
Customer contracts	4,390,673	-	-	4,390,673
Goodwill	2,730,031	-	-	2,730,031
Other intangibles	24,153	510	-	24,663
	9,600,949	1,105	-	9,602,054
Accumulated amortisation:				
Licences	33,269	5,104	-	38,373
Rights	168,095	28,230	-	196,325
Customer contracts	547,263	75,429	-	622,692
Other intangibles	6,858	1,996	-	8,854
	755,485	110,759	-	866,244
Net book value:				
Licences	766,607			762,053
Rights	1,488,121			1,459,936
Customer contracts	3,843,410			3,767,981
Goodwill	2,730,031			2,730,031
Other intangibles	17,295			15,809
	8,845,464			8,735,810

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 11 - INTANGIBLE ASSETS (Continued)

Intangible assets include rights, licences for electricity production, software and other identifiable rights.

As of 30 June 2017, TL 9,398 of current period amortisation expenses is included in cost of sales and TL 109,244 of it is included in operating expenses (30 June 2016: TL 4,600 and TL 106,159 respectively).

Customer contracts and related relationships and transfer of operating rights are separately recognised during the business combination according to TFRS 3.

On 31 March 2006 BAŞKENT EDAŞ and on 24 July 2006, AYEDAŞ and TOROSLAR EDAŞ signed TOR Agreements with TEDAŞ. In accordance with the TOR agreement, TEDAŞ transferred the operating rights of the distribution system, the distribution facilities, the other movables and immovables which are crucial for the operation of the distribution facilities to BAŞKENT EDAŞ until the end of 2036 and to AYEDAŞ and TOROSLAR EDAŞ until the end of 2042. Based on the future cash flows fair value of the TOR agreements are determined. The residual value of TOR after the portion recognized as financial asset which calculated based on TFRYK 12 (Note 9) is recognized as intangible asset based on TFRS 3.

In recognition of customer contracts and related relationships; relationships with the different customer groups are identified and a fair value for retail customers is estimated by the Group management.

Customer contracts and related relationships and TOR amortization is calculated on a straight line basis in a range between 25 - 30 years and charged to operating expenses.

As of June 30, 2017, there is no impairment on goodwill (31 December 2016: None).

Goodwill is allocated to the Group's cash-generating units (CGUs) through distribution region privatizations. Region level summary of the goodwill allocation is presented below:

	30 June 2017	31 December 2016
Toroslar Region	1,104,163	1,104,163
Ayedaş Region	893,061	893,061
Başkent Region	732,807	732,807
	2,730,031	2,730,031

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NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into the following forward conracts with banks in order to hedge its interest rate risk and to reduce its exchange rate risk associated with the bank borrowings, highly probable USD indexed sales and raw material purchases. The fair values of contracts at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
FX forward transactions for USD indexed sales	295,163	(229,586)	356,058	(463,845)
Foreign exchange forwards	38,760	(8,853)	184,125	-
Cross currency swap	49,782	-	39,582	-
Interest rate swap	-	(135,216)	-	(164,226)
Commodity swap	-	-	-	-
	383,705	**(373,655)**	**579,765**	**(628,071)**
Short-term	38,760	(8,853)	184,125	-
Long-term	344,945	(364,802)	395,640	(628,071)
	383,705	**(373,655)**	**579,765**	**(628,071)**

According to the contract, 45% portion of the interest rate swap transaction is made with the related party bank of the Group, Akbank T.A.Ş.. Interest rate swap transactions were made for Genco's Phase-I loan nominal amounting to TL 1,693,573.

Movements in fair value of derivative financial instruments can be analysed as follows:

	1 January-30 June 2017	1 January-30 June 2016
1 January	(48,306)	(62,295)
Recognized in / (charged to) statement of profit or loss	(97,682)	(203,498)
(Charged to) / recognized in other comprehensive income	156,038	26,149
30 June	**10,050**	**(239,644)**

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In the consolidated balance sheet, derivative financial instrument is recognised at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as level 2.

The following table gives information about how the fair values of these financial assets and liabilities are determined.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (Continued)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2017	31 December 2016		
Foreign currency forward contracts	333,923	4,314	Level 2	Discounted cash flow model: Forward exchange rates (observable forward exchange rates at the end of the reporting period) and the estimated future cash flows determined by using the contract rates are discounted by using a rate that reflects the credit risk of the various parties.
FX forward transactions for USD indexed sales	295,163	356,058	Level 2	Discounted cash flow model: Forward exchange rates (observable forward exchange rates at the end of the reporting period) and the estimated future cash flows determined by using the contract rates are discounted by using the market interest rate.
Interest rate swaps	(135,216)	(164,226)	Level 2	Discounted cash flow model: Forward interest rate (the interest rate that is derived from the observable yield curve at the end of the reporting period) and the estimated future cash flows determined by using the contract interest rates and forward exchange rates are discounted by using a rate that reflects the credit risk of the various parties.
Cross currency swaps	49,782	39,582	Level 2	Discounted cash flow model: Forward interest rate (the interest rate that is derived from the observable yield curve at the end of the reporting period) and the estimated future cash flows determined by using the contract interest rates and forward exchange rates are discounted by using a rate that reflects the credit risk of the various parties.

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NOTE 13 – BORROWINGS

	Weighted average effective interest rate p.a.		Original currency		TL	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term bank borrowings:						
- TL borrowings	13.16%	12.03%	2,170,239	1,875,551	2,170,239	1,875,551
					2,170,239	**1,875,551**
Short-term portion of long-term bank borrowings:						
- Euro borrowings (*)	4.42%	4.35%	328,705	336,145	1,315,806	1,247,063
- TL borrowings	13.05%	12.41%	1,270,493	1,215,961	1,270,494	1,215,961
					2,586,300	**2,463,024**
Long-term bank borrowings:						
- Euro borrowings (*)	3.73%	3.83%	1,355,204	1,513,141	5,424,880	5,613,601
- TL borrowings	13.11%	12.46%	4,253,056	3,721,438	4,253,056	3,721,438
					9,677,936	**9,335,039**

(*)Includes Genco's floating rate loans.

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NOTE 13 - BORROWINGS (Continued)

Redemption schedules of long-term bank borrowings at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
To be paid between 1-2 years	3,233,795	4,054,495
To be paid between 2-3 years	2,838,624	1,956,925
To be paid between 3-4 years	1,634,960	1,029,230
To be paid between 4-5 years	1,023,838	933,250
To be paid more than 5 years	946,719	1,361,139
	9,677,936	**9,335,039**

Other financial liabilities:

	30 June 2017	31 December 2016
Other current financial liabilities	27,307	25,087
Other non-current financial liabilities	247,889	245,134
	275,196	**270,221**

The other financial liabilities are repayable as follows:

	30 June 2017	31 December 2016
To be paid within 1 year	27,307	25,087
To be paid between 1-2 years	35,774	25,568
To be paid between 2-3 years	28,401	26,071
To be paid between 3-4 years	28,980	26,597
To be paid between 4-5 years	29,584	34,491
To be paid more than 5 years	125,150	132,407
	275,196	**270,221**

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NOTE 13 - BORROWINGS (Continued)

As of 30 June 2017 and 31 December 2016, details of other short and long term other financial liabilities in terms of currencies are as follows:

Currency Type	Weighted average effective interest rate	30 June 2017 Current	30 June 2017 Non-current
EUR	4.70%	27,307	247,889
		27,307	**247,889**

Currency Type	Weighted average effective interest rate	31 December 2016 Current	31 December 2016 Non-current
EUR	4.70%	25,087	245,134
		25,087	**245,134**

Other financial liabilities represent the payables to TEDAŞ for the capital expenditures denominated in EUR.

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NOTE 14 - TAXATION

Assets related to current tax	**30 June 2017**	**31 December 2016**
Prepaid taxes and funds	1,571	7,836
	1,571	**7,836**

Current tax liability

	30 June 2017	**31 December 2016**
Current corporate tax provision	27,360	108,178
Less: Prepaid taxes	(16,114)	(101,491)
	11,246	**6,687**

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2017 is 20% (31 December 2016: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Statutory corporate income tax rate in Turkey is 20 %. However, Turkish Corporate Income Tax Law, provides reduced corporate income tax rate for the investments made within the scope of the Investment Incentive Certificate (IIC).

According to Turkish Corporate Tax Law and the Decree, there are two things that are important to calculate reduced corporate income tax rate. One of them is the rate of contribution to investment and second is the rate of tax reduction. All rates of contribution to investment and all rates of reduced corporate income tax are determined by the Decree according to incentive schemes and regions.

NOTE 14 – TAXATION (Continued)

Corporate Tax (Continued)

The rate of reduced corporate income tax is 80% and the rate of contribution to investment of Tufanbeyli Thermal Power Plant is 50%, which means the reduced tax rate is calculated as 4% [0,20-(0,20*0,80)] and this will be applied until the contribution to investment amount (50% of the total investment) is reached.

This application allows the profit generated from Tufanbeyli Thermal Power Plant to be taxed from 4%. However, the condition to benefit from this incentive is to gain profit from the investment. In the case of making loss from the investment, the application will not be able to be used.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding is 15% as of 30 June 2017 (31 December 2016: 15%). Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Investment Allowance Exemption

The exemption for investment incentive, which was completely abolished in 2006, continues for companies with rights carried forward from previous years.

Within this scope, there are two different investment incentive applications that are regulated in the income tax law.

a) Companies that qualify for investment incentive within the scope of Article 19 of the Income Tax Law are exempt from 20% the corporate income tax but withholding tax at a rate of 19.8% over the amount of the investment discount (covering the investments under incentive until April 2003).

b) Companies that are entitled to investment incentive within the temporary Article 69 of the Income Tax Law are exempt from 20% corporate tax and at the same time no withholding tax liability arises (covering the investments under incentive between May 2003 – March 2006).

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NOTE 14 – TAXATION (Continued)

Investment Allowance Exemption (Continued)

Investment Allowance for Tufanbeyli Power Plant

The Group received investment incentive certificate dated 24 February 2012 and finally revised in 25 February 2015 due to additional incentives provided by the Government.

According to the regulation, there are various benefits provided due to use of mines as an input in the electricity generation. Such benefits can be summarised as follows:

1-50% of allowed investment amount are paid back through applying reduced tax rate to Tufanbeyli plant's annual profit (4%)
2- Employer's national insurance contribution support
3- Interest support
4- VAT exemption
5- Customs Duty exemption

Total tax benefit mentioned in the item 1 above is TL 900,000 as of 30 June 2017 (31 December 2016: TL 900,000). However, during 2017, the Group is applied to the related Government Authority to extend the total benefit to approximately TL 1,300,000 by adding financial expenditures to its total spending. Total benefit is expected to be recovered within 25 - 30 years and any outstanding amount is subject to indexation at year end by applying annual inflation rate. As of 30 June 2017, the Company recognized TL 109,225 (31 December 2016: TL 96,600) as deferred tax asset corresponding to amount which can be recovered in the foreseeable future.

The taxation on income for the Group is as follows:

	1 January - 30 June 2017	**1 January - 30 June 2016**
- Corporate tax expense	(24,716)	(52,240)
- Deferred tax income / (expense)	80,304	(111,002)
	55,588	**(163,242)**

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NOTE 14 – TAXATION (Continued)

Deferred taxes

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for TAS purposes and their statutory tax financial statements.

Deferred taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using enacted tax rate of 20% at 30 June 2017, excluding temporary differences related to Tufanbeyli power plant, which is enacted tax rate of 4% (31 December 2016: 20%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided, at 30 June 2017 and 31 December 2016 using the enacted tax rates, are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subject to 20% deferred tax rate				
Property, plant and equipment and intangible assets	4,727,321	4,697,956	945,464	939,591
Differences arising from customer contracts and transfer of operational rights	(5,029,365)	(5,132,840)	(1,005,873)	(1,026,568)
Due from service concession arrangements	(4,601,720)	(4,104,333)	(920,344)	(820,867)
Unused carry forward tax losses	1,316,674	565,366	263,335	113,073
Derivative financial instruments	(1,820)	48,306	(364)	9,661
Provision for employee termination benefits	14,989	60,008	2,998	12,002
Provision for doubtful receivables	16,040	30,252	3,208	6,050
Impairment loss on inventories	1,000	4,000	200	800
Impairment of natural gas	52,000	195,000	10,400	39,000
Investment incentive	639,846	576,721	127,969	115,344
Provisions for legal cases	202,335	190,090	40,467	38,018
Other differences	(73,650)	(119,781)	(14,730)	(23,956)
Deferred income tax liabilities-net	**(2,736,350)**	**(2,989,255)**	**(547,270)**	**(597,852)**
Subject to 4% deferred tax rate				
Property, plant and equipment and intangible assets	350,568	386,695	14,023	15,468
Provisions for employee termination benefits	570	1,592	23	64
Deferred tax liabilities-net	**(2,385,212)**	**(2,600,968)**	**(533,224)**	**(582,320)**
Deferred tax asset			490,784	444,344
Deferred tax liability			(1,024,008)	(1,026,664)
Deferred tax liabilities-net			**(533,224)**	**(582,320)**

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NOTE 14 – TAXATION (Continued)

Deferred taxes (Continued)

Deferred tax assets may only be recognised to the extent it is probable that sufficient taxable profit will be available in the future. In case of a probable tax advantage, deferred income tax asset is calculated for unused carry forward tax losses and unused investment incentive.

At 30 June 2017, the Group recognized deferred tax assets amounting to TL 263,335 for unused carry forward tax losses amounting to TL 1,316,674 since it was considered as probable that there would be sufficient taxable income in the subsequent periods to utilise such assets based on the forecasts made (2016: TL 565,366 and TL 113,073 respectively). The Group also recognized deferred tax assets amounting to TL 127,969 for investment incentive amounting to TL 639,846 (2016: TL 576,721 and TL 115,344 respectively).

The expiration dates of previous years' losses on which deferred tax asset was recognized are as follows:

	30 June 2017	31 December 2016
Expiring in 2018	66,110	-
Expiring in 2019	207,186	90,338
Expiring in 2020	71,963	323,717
Expiring in 2021	75,959	71,963
Expiring in 2022	895,456	79,348
	1,316,674	**565,366**

The expiration dates of previous years' losses on which deferred tax asset was unrecognized are as follows:

	30 June 2017	31 December 2016
Expiring in 2018	153,005	51,636
Expiring in 2019	378,350	153,005
Expiring in 2020	172,023	378,350
Expiring in 2021	119,063	172,023
Expiring in 2022	26,667	119,063
	849,108	**874,077**

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NOTE 15 - SHARE CAPITAL

Total authorised number of ordinary shares of par value Kr 1 each at 30 June 2017 is 959,068,542,000 (31 December 2016: 959,068,542,000).

The shareholders of the Company and their historical shareholdings at 30 June 2017 and 31 December 2016 are stated below:

	30 June 2017		31 December 2016	
Shareholders	**Share (%)**	**TL**	**Share (%)**	**TL**
Hacı Ömer Sabancı Holding A.Ş.	50.00	4,795,342.5	50.00	4,795,342.5
DD Turkey Holdings S.A.R.L. (E.ON)	50.00	4,795,342.5	50.00	4,795,342.5
		9,590,685		**9,590,685**
Adjustment to share capital		(33,312)		(33,312)
Total paid-in capital		**9,557,373**		**9,557,373**

Share premium

Share premium presented in the consolidated financial statements represents the proceeds obtained by issuing shares above the nominal values during the capital increases following the establishment of the Group.

NOTE 16 - TAX EFFECTS OF COMPONENTS OF COMPREHENSIVE INCOME

	30 June 2017			30 June 2016		
	Before tax amount	**Tax expense**	**Net of tax amount**	**Before tax amount**	**Tax expense**	**Net of tax amount**
Derivative financial instruments	156,038	(31,208)	124,830	26,149	(5,230)	20,919
Actuarial gain / (loss)	(173)	35	(138)	(505)	101	(404)
			124,692			**20,515**

NOTE 17 - NET SALES

	1 January - 30 June 2017	**1 January - 30 June 2016**
Revenue from electricity sales and services provided	5,137,121	4,657,871
Distribution revenue	1,628,645	1,250,471
Finance income from service concession arrangements	414,750	265,951
Gas sales	773	10,174
Steam sales	11,100	13,546
Other sales	1,597	2,700
	7,193,986	**6,200,713**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 18 - COST OF SALES

	1 January - 30 June 2017	1 January - 30 June 2016
Cost of trade goods sold	(4,051,824)	(3,523,330)
Raw materials usage	(463,439)	(276,117)
System usage fees	(399,696)	(322,594)
Depreciation and amortisation (Note 10-11)	(204,656)	(116,029)
Other	(206,544)	(413,116)
	(5,326,159)	**(4,651,186)**

NOTE 19 – OPERATING EXPENSES

General Administrative Expenses

	1 January- 30 June 2017	1 January- 30 June 2016
Personnel expenses	(315,608)	(275,868)
Depreciation and amortisation (Note 10-11)	(116,001)	(111,014)
Material expenses	(69,689)	(53,359)
Consultancy expenses	(39,020)	(14,292)
Rent expenses	(24,345)	(20,799)
Duties and taxes	(11,976)	(9,141)
Maintenance expenses	(11,962)	(17,885)
Security expenses	(11,747)	(10,140)
Insurance expenses	(6,173)	(7,770)
Transportation and travel expenses	(6,053)	(6,706)
Communication expenses	(4,218)	(6,897)
Other	(56,036)	(21,791)
	(672,828)	**(555,662)**

Marketing Expenses

	1 January- 30 June 2017	1 January- 30 June 2017
Personnel expenses	(22,041)	(9,217)
Consultancy expenses	(6,961)	(10,103)
Promotion expenses	(6,569)	(3,809)
Rent expenses	(28)	(262)
Transportation and travel expenses	(17)	(145)
Other	(2,086)	(1,885)
	(37,702)	**(25,421)**

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NOTE 20 - OTHER INCOME / (EXPENSE) FROM OPERATING ACTIVITIES

	1 January- 30 June 2017	1 January- 30 June 2016
Other income from operating activities:		
Late payment interest from electricity receivables	44,729	41,223
Power theft penalties	20,083	6,173
Foreign exchange gain from other than financial borrowings	18,396	28,663
Rent income	2,376	2,934
Interest income related to revenue cap regulation	951	9,685
Capacity usage income	669	-
Income from derivative transactions	564	-
Income from released provision	404	3,374
Income from insurance reimbursements	244	1,478
Income from carbon emission right	195	-
Income from compensation and penalty	-	22,509
Other	19,309	8,040
	107,920	124,079
Other expenses from operating activities:		
Provision for doubtful and other receivables	(120,820)	(38,040)
Fair value differences arising from deposits and guarantees	(51,246)	(18,543)
Foreign exchange loss from other than financial borrowings	(17,503)	(13,808)
Loss from derivative transactions	(14,886)	(14,469)
Compensation and penalty	(2,989)	(21,395)
Interest expense related to revenue cap regulation	(1,417)	-
Non-deductible expenses	(582)	(40)
Litigation expenses	(250)	-
Grants and donations	(225)	(262)
Other	(16,898)	(10,649)
	(226,816)	(117,206)

NOTE 21 – INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	1 January- 30 June 2017	1 January- 30 June 2016
Income from investing activities:		
Dividend income	146	114
Gain on sale of fixed assets	35	85
	181	199
Expense from investing activities:		
Loss on sale of asset-held-for-sale (Note 23)	(273,672)	-
Loss on sale of fixed assets	(8,711)	-
	(282,383)	-

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NOTE 22 - FINANCIAL (EXPENSE) / INCOME, NET

	1 January-30 June 2017	1 January-30 June 2016
Financial income:		
Interest income	20,383	32,313
	20,383	**32,313**
Financial expenses:		
Interest expense	(652,146)	(497,038)
Foreign exchange loss	(408,426)	(185,894)
Bank commission expenses	(18,658)	(14,864)
	(1,079,230)	**(697,796)**
Less: Capitalized over property, plant and equipment	12,655	98,834
	(1,066,575)	**(598,962)**

NOTE 23 – ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2015, the directors resolved to dispose the subsidiary (Murat Nehri). Negotiations with several interested parties have subsequently taken place. The assets and liabilities, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	30 June 2017	31 December 2016
Property, plant, equipment and intangible assets	-	346,986
Other assets	-	790
Other non-current assets	-	61,064
Total assets classified as held for sale	**-**	**408,840**
Trade payables	-	3,744
Other liabilities	-	253
Total liabilities associated with assets classified as held for sale	**-**	**3,997**
Net assets of disposal group	**-**	**404,843**

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NOTE 24 - DISPOSAL OF SUBSIDIARY

As a part of the Group's spin off plan,the subsidiary (Murat Nehri) demerged from the Group as of 31 December 2015 and had presented in previous year's financial statements as assets held for sale. The abovementioned subsidiary has been sold on 27 April 2017.

The major classes of assets and liabilities and gain on disposals of these subsidiaries have been presented as follows:

a) Murat Nehri

Book value of net assets sold	**27 April 2017**
Current assets	29,811
Cash and cash equivalents	29,792
Other current assets	19
Non-current assets	501,725
Property, plant and equipment	420,354
Intangible assets	33
Other non-current assets	81,338
Current liabilities	115
Trade payables	12
Other current liabilities	103
Net assets disposed of	**531,421**
Consideration paid in cash and cash equivalents	257,749
Less cash and cash equivalent balances disposed of	(29,792)
Total amount of cash acquired	**227,957**
Loss on disposal of subsidiary	**(273,672)**

NOTE 25 – FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

	30 June 2017	**31 December 2016**
Assets	5,532,356	5,427,145
Liabilities	(9,816,340)	(10,356,251)
Net foreign currency position	**(4,283,984)**	**(4,929,106)**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FOREIGN CURRENCY POSITION (Continued)

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by the Group at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017				31 December 2016			
	USD	Euro	Other (*)	Total	USD	Euro	Other (*)	Total
Assets:								
Cash and cash equivalents	11,184	1,238	5	12,427	2,866	1,064	5	3,935
Trade receivables	6	108	-	114	48	10,949	-	10,997
Other receivables from third parties	1,625	7,046	15,048	23,719	903	100,655	80	101,638
Total assets	**12,815**	**8,392**	**15,053**	**36,260**	**3,817**	**112,668**	**85**	**116,570**
Liabilities:								
Bank borrowings	-	(6,740,686)	-	(6,740,686)	-	(6,860,664)	-	(6,860,664)
Other financial liabilities	-	(275,196)	-	(275,196)	-	-	-	-
Trade payables	(739)	(36,561)	(6,906)	(44,206)	(4,170)	(371,680)	(742)	(376,592)
Other payables to third parties	(83,470)	(16,761)	(1)	(100,232)	(1)	(30,864)	-	(30,865)
Total liabilities	**(84,209)**	**(7,069,204)**	**(6,907)**	**(7,160,320)**	**(4,171)**	**(7,263,208)**	**(742)**	**(7,268,121)**
Net foreign currency position	**(71,394)**	**(7,060,812)**	**8,146**	**(7,124,060)**	**(354)**	**(7,150,540)**	**(657)**	**(7,151,551)**
Off-balance sheet derivative assets denominated in foreign currencies	2,511,951	2,918,567	65,578	5,496,096	2,816,117	2,484,019	10,439	5,310,575
Off-balance sheet derivative liabilities denominated in foreign currencies	(2,520,804)	(135,216)	-	(2,656,020)	(2,816,117)	(164,226)	(107,787)	(3,088,130)
Net foreign currency position of off balance-sheet items	**(8,853)**	**2,783,351**	**65,578**	**2,840,076**	**-**	**2,319,793**	**(97,348)**	**2,222,445**
Net foreign currency asset/liability position	**(80,247)**	**(4,277,461)**	**73,724**	**(4,283,984)**	**(354)**	**(4,830,747)**	**(98,005)**	**(4,929,106)**

(*) Items include EUR/USD derivative instruments.

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD and Euro denominated assets and liabilities to local currency except Euro denominated derivative financial instruments. Since the effective portion of changes in the fair value of Euro denominated derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income, foreign exchange gains or losses arising from the valuation of these instruments are also recognised in other comprehensive income.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FOREIGN CURRENCY POSITION (Continued)

At 30 June 2017, if the USD had strengthened / weakened by 10% against the TL with all other variables held constant, profit before taxation on income would have been TL 7,139 lower / higher (31 December 2016: TL 2,314 lower / higher).

At 30 June 2017, if the Euro had strengthened / weakened by 10% against the TL with all other variables held constant, profit before taxation on income would have been TL 167,239 lower / higher (31 December 2016: TL 197,911 lower / higher).

At 30 June 2017, if the USD had strengthened / weakened by 10% against the TL with all other variables held constant, hedge reserves before taxation would have been TL 251,195 lower / higher (31 December 2016: TL 283,311 lower/higher).

At 30 June 2017, if the Euro had strengthened / weakened by 10% against the TL with all other variables held constant, hedge reserves before taxation would have been TL 8,500 lower / higher (31 December 2016: TL 12,464 lower/higher).

NOTE 26 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2017		
	Currency	Original currency amount	Amount TL
Letter of guarantees received	EUR	72,233	289,149
	TL	323,986	323,986
	USD	2,325	8,154
			621,289
Letter of guarantees given	TL	2,237,698	2,237,698
	USD	62,656	219,741
	EUR	450	1,801
			2,459,240

	31 December 2016		
	Currency	Original currency amount	Amount TL
Letter of guarantees received	EUR	88,957	330,022
	TL	572,201	572,201
	USD	3,268	11,501
	SEK	2,055	799
			914,523
Letter of guarantees given	TL	2,245,099	2,245,099
	USD	123,091	433,182
			2,678,281

NOTE 26- COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

GenCo:

The Group entered several loan agreements for bank borrowings (Note 11) and those financial packages require compliance with the following financial covenants:

- Total Debt to Equity ratio should not be more than 60:40 at all times, however the Group has obtained a temporary waiver from its lenders so that Total Debt to Equity ratio requirement should not be more than 70:30 until 31 December 2018.
- The Net Debt to EBITDA ratio should not be more than 4.0:1 (following the Sponsor Support release date) (*)
- The Historic Total Debt Service Cover ratio to be not less than 1.1:1 following the Sponsor Support release date on any two consecutive interest payment dates (*)

(*) Sponsor Support release date refers to at earliest 3 years after the completion of all of the projects financed, on each Financial Statement delivery date.

At 30 June 2017 the abovementioned ratios are as follows:

Total Debt to Equity ratio: 61:39
Net Debt to EBITDA ratio: 6.80:1 (not yet effective as of 30 June 2017)
Historic Total Debt Service Cover ratio: 1.01:1 (not yet effective as of 30 June 2017)

Moreover, following the execution of the Common Terms Agreement ("CTA") and security agreements regarding on the finance package, Group's following assets are subject to the security regime set forth in the CTA in favour of the Lenders;

- Immoveable Property; all the real property, land sites and buildings and fixtures (excluding furniture) to the land,
- Moveable Property with book value of more than TL 100; Commercial Enterprise Pledge is perfected in favour of the Lenders,
- Receivables under the licences and authorizations,
- Contractual Rights, Claims and interests are assigned to the Lenders (any rights claims and interests under Project Documents, Insurances, electricity sale agreements, Reinsurance, Sponsor Support and Share Retention Agreement, letters of credit provided by the construction contractor in favour of the Group.
- Pledge is perfected over the bank accounts of the Group.

The Group further entered in security arrangements in favour of the Lenders with respect to the inter-company loans and hedging documents. Any asset included to the Group's portfolio ("New Assets") will also be subject to the aforementioned security regime. The relevant security over the New Assets will be created periodically.

Enerjisa Enerji A.Ş.:

Investment obligations

Annual expansion, replacement, and improvement investments that are stated in TOR and required to be completed by Enerjisa Enerji A.Ş. have been determined during the preparation of the tariffs. These investments have been included in the first implementation period tariffs approved by EMRA and as a result the Enerjisa Enerji A.Ş. is obliged to make these determined investments. Implementation of these investments is monitored by EMRA by the reports received from Enerjisa Enerji A.Ş. at the end of each year. Some of these investments are subject to unit prices per announced by EMRA. According to the regulations, the Enerjisa Enerji A.Ş. is allowed to make transfers between the years after taking approval of EMRA. As of 30 June 2017, there is an obligation to make investments.

NOTE 26 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Enerjisa Enerji A.Ş. (Continued):

Energy Sales Agreements

Enerjisa Enerji A.Ş. signed Energy Sales Agreements with the companies which are in the portfolio of both TETAŞ and Elektrik Üretim A.Ş. ("EÜAŞ") in order to obtain its energy needs during the transition period. These Energy Sales Agreements have been established based on regulated prices. Enerjisa Enerji A.Ş. is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Group's energy needs are higher than the contracted quantities and Enerjisa Enerji A.Ş. makes purchases regularly from Piyasa Mali Uzlaştırma Merkezi ("PMUM"). As a result, the Group management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of the agreements.

Competition Board Investigation

Further to a preliminiary inquiry in November 2016, The Competition Board resolved to commence an investigation in December 2016 to check if the Company and certain companies of the Group titled Toroslar EDAŞ, Toroslar EPSAŞ, BEDAŞ, EPS, AYEDAŞ and AEPSAŞ ("related Group Companies") are in compliance with the Competition Law (Law no: 4054). Investigation process is expected to be finalized by the end of August 2018.

The Competition Board's Investigation Notification contains very limited information concerning the allegation. The Investigation Notification to the Company and the related Group Companies and the announcement to the Public cannot be interpreted as the undertakings of the Company and the related Group Companies has violated the Competion Law or the Company and the related Group Companies will be punished. The Group execute its transactions within the Competition Law and other regulations.

NOTE 27 - EVENTS AFTER THE BALANCE SHEET DATE

Following the approval of Capital Markets Board with decision numbered 27/1319 on 29 December 2016; bonds with the nominal amount of TL 335,000 are issued by the Group on 1 August 2017 with 1,820 days maturity, CPI based variable interests and capital payment at the end of the maturity.